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Astral Media

Quarterly Report 2

ASTRAL MEDIA SHOWS CONTINUED GROWTH IN THE SECOND QUARTER OF FISCAL 2010

24% increase in net earnings and 25% increase in basic EPS[1]

4% increase in revenue and 6% increase in EBITDA[1,2]

Montréal, April 8, 2010

Astral Media Inc. (TSX: ACM.A/ACM.B) today reported its financial results for the second quarter ended February 28, 2010, which saw continued growth in net earnings, EPS, revenues, EBITDA[2] and cash flow from operations[5].

Consolidated net earnings for the second quarter grew 24% to $33.6 million from $27.1 million[1] for the same period last year, while basic earnings per share grew 25% to $0.60 from $0.48 per share[1] last year. Consolidated revenues for the second quarter totalled $218.3 million, a 4% increase over the $209.3 million reported last year for the same period. For the second quarter, EBITDA[2] rose to $62.6 million from $59.2 million[1] for the same period last year, a 6% increase.

Consolidated net earnings for the first six months of Fiscal 2010 increased by 35% over last year, rising to $89.9 million[3,4] ($1.59 per share) from $66.7 million[1] ($1.19 per share) last year. Consolidated revenues totalled $469.0 million for the first half of the year, an increase of 3% over the $453.8 million recorded last year for the same period. EBITDA[2] for the first six months grew by 18% to $159.4 million[4] from $134.6 million[1] for the same period last year.

"I am pleased by the strength of our second quarter results and delighted that all our business units continue to perform well in a challenging environment, allowing us to record a 54th consecutive quarter of profitable growth for Astral," said Ian Greenberg, President and Chief Executive Officer. "Throughout the economic downturn, we have continued to invest strategically in sales, programming and branding initiatives across all our platforms, making important headway in further strengthening our position in key Canadian markets."

1. After the restatement of Fiscal 2009 figures following the adoption of Section 3064 of the CICA Handbook. See details in the Management's Discussion and Analysis.
2. EBITDA is defined as earnings before interest, taxes, depreciation and amortization (see "Supplementary Measures").
3. Excluding the impact of an $8.4 million ($0.15 per share) non-cash future income tax recovery resulting from future income tax rate changes enacted by the Ontario Government (see "Supplementary Measures").
4. Including the $11.6 million in Part II licence fees accrual reversal ($8.0 million net of income taxes or $0.14 per share) in the first quarter of Fiscal 2010 ($3.2 million in Television and $8.4 million in Radio). See details in the Management's Discussion and Analysis.
5. See "Supplementary Measures".

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Television

- Revenue growth of 6% for the quarter (6% growth for the six-month period);
- 11% advertising revenue growth for the quarter derived from air time (4% growth for the six-month period) and 7% growth in subscriber-related revenues for the quarter (7% growth for the six-month period);
- EBITDA[2] growth of 14% for the quarter[1] (22% growth for the six-month period[1,3]).

Radio

- Revenue decline of 2% for the quarter (1% decline for the six-month period);
- EBITDA[2] decline of 14% for the quarter[1] (10% growth for the six-month period[1,3]);
- In December, rebranding of the EZ Rock 97.3 FM station in Toronto to boom 97.3 with a new format and a revised personality lineup;
- In January, ''Les Grandes Gueules'' made a return on air across the 10-station NRJ network with their highly popular radio show.

Outdoor Advertising

- Revenue growth of 23% for the quarter (6% growth for the six-month period);
- EBITDA[2] growth of 107% for the quarter (17% growth for the six-month period).

1. After the restatement of Fiscal 2009 figures following the adoption of Section 3064 of the CICA Handbook. See details in the Management's Discussion and Analysis.
2. EBITDA is defined as earnings before interest, taxes, depreciation and amortization (see "Supplementary Measures").
3. Including the $11.6 million in Part II licence fees accrual reversal ($8.0 million net of income taxes or $0.14 per share) in the first quarter of Fiscal 2010 ($3.2 million in Television and $8.4 million in Radio). See details in the Management's Discussion and Analysis.

ASTRAL MEDIA INC.
Management's Discussion and Analysis
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The purpose of this Management's Discussion and Analysis ("MD&A"), dated April 8, 2010, is to provide readers with additional and complementary information regarding Astral Media Inc.'s ("Astral", "Astral Media" or the "Company") financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements and related notes, and the MD&A contained in the Company's 2009 Annual Report, and with the Company's Annual Information Form.

Copies of these documents, the Company's Management Proxy Circular dated October 27, 2009, its notices of intention to make a normal course issuer bid, as well as additional information concerning the Company can be found on the SEDAR Web site at www.sedar.com and may also be obtained upon request, without charge, to the Secretary of the Company at its executive offices, 2100, rue Sainte-Catherine Ouest, bureau 1000, Montréal, Québec, H3H 2T3, telephone: 514-939-5000. The above-mentioned documents, as well as the Company's news releases, are also available on the Company's Web site at www.astralmedia.com.

All amounts herein are expressed in Canadian dollars. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2010.

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FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition.

The following table outlines the major forward-looking statements included in this MD&A:

Forward-looking Statements	Key Assumptions	Most Relevant Risk Factors	Pages
Revenue trends	Historical and current trends	Economic and market conditions	10, 18
Future cost savings	New Part II licence fee rates	Implementation of the new regulation	11
Contingent consideration	New Part II licence fee rates	Implementation of the new regulation	11
Future cash flows	Corporate and strategic plans	Economic conditions, competition and regulation	19
2010 capital expenditures program	Corporate and strategic plans	Ability to generate sufficient cash flows and execution factors	19
International Financial Reporting Standards (“IFRS”)	Identification of significant accounting differences	Unidentified effects of changes to IFRS	26-29
Future accounting changes	Identification of significant accounting differences	Unidentified effects of future accounting changes	29

Other forward-looking statements may be found in this MD&A or in the other documents incorporated by reference in this MD&A. When used in this document, the words “believe”, “anticipate”, “intend”, “estimate”, “expect”, “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, including technological change, economic conditions, regulatory change, competitive factors and changes in accounting rules or standards, many of which are beyond the Company's control (see “Risks, Uncertainties and Opportunities”). Therefore, future events and results may vary substantially from what we currently foresee. Except as required under applicable securities regulation, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PROFILE

Astral Media is a leading Canadian media company, reaching people through a combination of highly targeted media properties in television, radio, outdoor advertising, and interactive media. The Company is the country's largest broadcaster of English- and French-language pay and specialty television and operates, on its own or with partners, 20 television services, including The Movie Network / HBO Canada, Super Écran, Family, Canal Vie, Canal D, VRAK.TV, and TELETOON. Astral Media is also Canada's largest radio broadcaster with 83 licensed radio stations in eight provinces, under some of the industry's best known brands including NRJ, RockDétente, Virgin Radio and EZ Rock. Astral Media Outdoor is one of Canada's most dynamic and innovative outdoor advertising companies with nearly 8,000 faces located in the largest markets in Québec, Ontario and British Columbia. Astral Media also operates over 100 websites with a high level of interactivity and a variety of different products and on-line services. The Company employs approximately 2,800 people at its facilities in Montréal, Toronto, and in a number of cities throughout Canada. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols ACM.A/ACM.B.

HIGHLIGHTS

- Increases of 24% in net earnings and 25% in basic earnings per share in the quarter
- 6% increase in EBITDA (1) in the quarter
- 4% increase in revenues in the quarter
- On December 9, 2009, the Company announced the renewal of its normal course issuer bid to repurchase up to 2.5% of its outstanding Class A and Class B shares
- On December 26, 2009, EZ Rock 97.3 FM in Toronto was converted to boom 97.3 with a new format and a revised personality lineup
- On January 18, 2010, "Les Grandes Gueules" made a return on air to the NRJ network with their highly popular radio show.

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures").

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PERFORMANCE REVIEW

CONSOLIDATED RESULTS

(in thousands of $ except for per-share data)	3 months 2010	3 months 2009	3 months % Change	6 months 2010	6 months 2009	6 months % Change
		(Restated) (1)			(Restated) (1)	
Revenues	218,281	209,278	4%	468,966	453,761	3%
Operating expenses	155,694	150,092	4%	321,118	319,120	1%
Part II licence fees accrual reversal	–	–	–	(11,552)	–	n/a
EBITDA (2)	62,587	59,186	6%	159,400	134,641	18%
Depreciation and amortization	7,434	6,526	14%	15,018	12,922	16%
Interest expense, net	6,614	9,546	-31%	13,803	20,064	-31%
Restructuring charges	–	2,691	n/a	–	2,691	n/a
Earnings before income taxes	48,539	40,423	20%	130,579	98,964	32%
Income tax provision, before future income tax recovery (3)	14,896	13,320	12%	40,692	32,256	26%
Net earnings before the impact of future income tax rate changes (2)	33,643	27,103	24%	89,887	66,708	35%
Future income tax recovery resulting from income tax rate changes (3)	–	–	–	8,397	–	n/a
Net earnings	33,643	27,103	24%	98,284	66,708	47%
Basic earnings per share before the impact of future income tax rate changes (2)	0.60	0.48	25%	1.59	1.19	34%
Impact of future income tax rate changes (3)	–	–	–	0.15	–	n/a
Basic earnings per share	0.60	0.48	25%	1.74	1.19	46%
Diluted earnings per share	0.59	0.48	23%	1.72	1.18	46%
Weighted average number of shares outstanding – basic (in thousands)	56,491	56,102	1%	56,350	56,056	1%
Weighted average number of shares outstanding – diluted (in thousands)	57,183	56,338	1%	56,982	56,463	1%
Cash flow from operations (2)	45,690	38,074	20%	105,297	88,796	19%

The most significant variances in the consolidated results between the second quarters of Fiscal 2010 and Fiscal 2009 are mainly due to the continued growth of subscription-related revenues in pay and specialty television as well as growth in advertising revenues in Television and Outdoor, and the restructuring charges recorded in Fiscal 2009. The most significant variances in the consolidated results between the six-month periods of Fiscal 2010 and Fiscal 2009 are due to the following: the continued growth of subscription-related revenues in pay and specialty television as well as growth in advertising revenues in Television and Outdoor; the reversal of $11.6 million of accrued Part II licence fees following the resolution of the issue described in the "Part II Licence Fees Accrual Reversal" section; the restructuring charges recorded in Fiscal 2009; and the future income tax recovery of $8.4 million (see "Income Taxes" section).

It should be noted that Fiscal 2009 figures have been restated following the adoption of Section 3064 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook (the "Restatement") (see the "Restatement of Fiscal 2009 Figures" section).

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".
(3) See "Income Taxes".

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The financial results and variances presented in this MD&A include the impact of the Restatement and exclude the impact of future income tax rate changes that were enacted in the first quarter of Fiscal 2010. The impact resulting from the Restatement is explained in the "Restatement of Fiscal 2009 Figures" section which follows, and the impact resulting from future income tax rate changes is explained in the "Income Taxes" section.

Restatement of Fiscal 2009 Figures

Following the adoption of Section 3064 of the CICA Handbook (see "Accounting Matters"), the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously recorded in depreciation was reclassified as amortization of intangible assets on the consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs (the "pre-op costs") and related future income tax liabilities through opening retained earnings. Net earnings for Fiscal 2009 and for the three-month periods ended in each of its quarters were restated to recognize pre-op costs of new services as operating expenses, to eliminate amortization of pre-op costs and to reverse the future income tax expense related to such pre-op costs in the consolidated statements of earnings (see note 1 to the unaudited interim consolidated financial statements for the three- and six-month periods ended February 28, 2010).

The adjustments, following the adoption of Section 3064, to the consolidated statements of earnings for Fiscal 2009 and for the three-month periods ended in each of the four quarters of Fiscal 2009, are summarized in the following tables:

	Q1-2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	244,483	–	–	244,483
Operating expenses	165,018	4,010	–	169,028
	79,465	(4,010)	–	75,455
Depreciation	6,141	–	(847)	5,294
Amortization	414	(159)	847	1,102
Interest expense, net	10,518	–	–	10,518
Earnings before income taxes	62,392	(3,851)	–	58,541
Income tax provision	20,030	(1,094)	–	18,936
Net earnings	42,362	(2,757)	–	39,605
Basic earnings per share	0.76	(0.05)	–	0.71
Diluted earnings per share	0.75	(0.05)	–	0.70

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(in thousands of $ except for per-share data)	Q2-2009 As Previously Reported	Pre-op Costs	Software	Restated
Revenues	209,278	–	–	209,278
Operating expenses	147,364	2,728	–	150,092
	61,914	(2,728)	–	59,186
Depreciation	6,221	–	(897)	5,324
Amortization	468	(163)	897	1,202
Interest expense, net	9,546	–	–	9,546
Restructuring charges	2,691	–	–	2,691
Earnings before income taxes	42,988	(2,565)	–	40,423
Income tax provision	14,041	(721)	–	13,320
Net earnings	28,947	(1,844)	–	27,103
Basic earnings per share	0.52	(0.04)	–	0.48
Diluted earnings per share	0.51	(0.03)	–	0.48

(in thousands of $ except for per-share data)	Q3-2009 As Previously Reported	Pre-op Costs	Software	Restated
Revenues	232,537	–	–	232,537
Operating expenses	150,273	430	–	150,703
	82,264	(430)	–	81,834
Depreciation	6,461	–	(834)	5,627
Amortization	758	(386)	834	1,206
Interest expense, net	8,926	–	–	8,926
Restructuring charges	616	–	–	616
Earnings before income taxes	65,503	(44)	–	65,459
Income tax provision	21,200	(10)	–	21,190
Net earnings	44,303	(34)	–	44,269
Basic earnings per share	0.79	–	–	0.79
Diluted earnings per share	0.78	–	–	0.78

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	Q4-2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	219,427	–	–	219,427
Operating expenses	142,691	68	–	142,759
	76,736	(68)	–	76,668
Depreciation	5,941	–	(719)	5,222
Amortization	1,116	(594)	719	1,241
Interest expense, net	7,978	–	–	7,978
Restructuring charges	1,076	–	–	1,076
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(338,834)	526	–	(338,308)
Income tax provision	16,773	121	–	16,894
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(273,637)	405	–	(273,232)
Basic loss per share	(4.87)	0.01	–	(4.86)
Diluted loss per share	(4.87)	0.01	–	(4.86)

	Fiscal 2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	905,725	–	–	905,725
Operating expenses	605,346	7,236	–	612,582
	300,379	(7,236)	–	293,143
Depreciation	24,764	–	(3,297)	21,467
Amortization	2,756	(1,302)	3,297	4,751
Interest expense, net	36,968	–	–	36,968
Restructuring charges	4,383	–	–	4,383
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(167,951)	(5,934)	–	(173,885)
Income tax provision	72,044	(1,704)	–	70,340
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(158,025)	(4,230)	–	(162,255)
Basic loss per share	(2.82)	(0.07)	–	(2.89)
Diluted loss per share	(2.82)	(0.07)	–	(2.89)

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OVERALL ANALYSIS

Revenues

Television revenues are derived from subscription fees, advertising sales and pay-per-view sales. Pay-television subscription revenues tend to follow the growth trend of digital television subscribers in the same markets, while specialty television subscriber revenues generally show lower growth rates as these services are distributed on high-penetration analog and digital tiers. Television and Radio advertising revenues are derived from advertising aired on the Company's broadcasting properties and they vary according to market and general economic conditions, the quality of programming and the effectiveness of the sales organization. Outdoor revenues are derived from the sale of advertising on the Company's inventory of outdoor faces and street furniture equipment, and are influenced by their number in inventory, their location, creative appeal and size, occupancy levels, as well as market and general economic conditions. See the "Quarterly Performance" section for explanations of seasonal patterns.

Revenues are detailed as follows:

	3 months			6 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Subscription-related –Television	106,956	100,460	7%	213,420	199,427	7%
Advertising						
Television	22,492	21,318	6%	57,255	55,790	3%
Radio	73,906	75,334	-2%	163,071	165,192	-1%
Outdoor	14,927	12,166	23%	35,220	33,352	6%
Total Advertising	111,325	108,818	2%	255,546	254,334	1%
Total Revenues	218,281	209,278	4%	468,966	453,761	3%

Total revenues reached $218.3 million and $469.0 million respectively, for the three- and six-month periods ended February 28, 2010 compared to $209.3 million and $453.8 million for the same periods last year, representing increases of 4% and 3% respectively. The increases are explained by higher subscription-related revenues in Television mainly driven by subscriber growth in both pay and specialty television, the launch of new television services in Fiscal 2009, and by higher advertising revenues in Television and Outdoor. The second quarter of Fiscal 2010 was another challenging period for Radio advertising revenues in the context of a slower recovery from the weak economic environment for this business segment. As a result, advertising revenues in Television and Outdoor showed increases of 6% and 23% respectively, while advertising revenues in Radio showed a decrease of 2%. Revenue variations are explained in the "Business Segment Performance" section.

Operating Expenses

Operating expenses for the three- and six-month periods ended February 28, 2010, excluding the Part II licence fees accrual reversal explained below, increased by $5.6 million and $2.0 million respectively, compared to the same periods last year. The increase for the quarter is mainly explained by an increase of $6.0 million in the Company's most significant operating expenses: programming costs and salaries and benefits, and an increase of $1.5 million in other operating expenses. This was partially offset by the fact that the Company did not incur expenses related to the launch of new services during the second quarter of Fiscal 2010, whereas $2.7 million of such expenses were incurred during the same period last year (mainly for the launch of HBO Canada).

On a year-to-date basis, the increase of $2.0 million is mainly explained by an increase of $6.7 million in programming costs and salaries and benefits and of $1.5 million in other operating expenses, partially offset by the fact that the Company did not incur expenses related to the launch of new services during the first six months of Fiscal 2010, whereas $6.7 million of such expenses related to the launch of new services were incurred during the same period last year (mainly for the launch of HBO Canada). Variances are explained in the "Business Segment Performance" section.

Part II Licence Fees Accrual Reversal

The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the Canadian Radio-television and Telecommunications Commission (the "CRTC") by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the "SCC"), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II Fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company had been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II licence fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. As provided in the agreement, fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, were waived and there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, further to the Government's recommendation, the CRTC has published for comments amendments to the Part II licence fee regime to cap the fees. The revised fee regime is effective for the fiscal year beginning September 1, 2009 and the Company estimates that it will bring savings, on an annual basis, of approximately $1.5 million as compared to the fees accrued under the previous regime.

In the first quarter of Fiscal 2010, following the settlement, the Part II licence fees accrued as at August 31, 2009 amounting to $11.6 million ($8.0 million net of income taxes or $0.14 per share) were reversed through operating expenses on the Company's unaudited interim consolidated statement of earnings.

Furthermore, the purchase price of a prior year's business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the payment occurs.

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EBITDA (1)

The Company's EBITDA (1) of $62.6 million for the quarter ended February 28, 2010 exceeded the EBITDA (1) for the same period last year by $3.4 million or 6%. This is the result of a $9.0 million increase in revenues, of which $6.5 million came from subscription-related revenues in Television and $2.5 million from an increase in overall advertising revenues. This is partially offset by higher operating expenses of $5.6 million. As a result, the overall EBITDA margin (1) stands at 28.7% for the quarter compared to 28.3% for the same period last year.

For the six-month period ended February 28, 2010 the Company's EBITDA (1) of $159.4 million exceeded the EBITDA (1) for the same period last year by $24.8 million or 18%. This is explained by a $15.2 million increase in revenues, mainly subscription-related revenues in both pay and specialty television, by the Part II licence fees accrual reversal of $11.6 million (see "Part II Licence Fees Accrual Reversal" section), partly offset by higher operating expenses of $2.0 million. As a result of the Part II licence fees accrual reversal, the overall EBITDA margin (1) of 34.0% for the six-month period is not readily comparable to the EBITDA margin (1) of 29.7% for the same period last year. By excluding the impact of the $11.6 million reversal, the EBITDA (1) increase over last year would be 10% and the EBITDA margin (1) for the six-month period of Fiscal 2010 would be 31.5%, representing an increase in the EBITDA margin (1) of 1.8 basis points in comparison to the same period last year. EBITDA (1) by segment is reviewed in the "Business Segment Performance" section.

	3 months			6 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
		(Restated) (2)			(Restated) (2)	
Television	46,198	40,649	14%	102,806	84,557	22%
Radio	19,975	23,235	-14%	59,511	53,891	10%
Outdoor	3,091	1,495	107%	10,870	9,311	17%
Corporate	(6,677)	(6,193)	8%	(13,787)	(13,118)	5%
EBITDA (1)	62,587	59,186	6%	159,400	134,641	18%
EBITDA margin (1)	*28.7%*	*28.3%*	*1%*	*34.0%*	*29.7%*	*14%*

Depreciation and Amortization

The total depreciation and amortization expense was $7.4 million and $15.0 million respectively, for the three- and six-month periods ended February 28, 2010, representing increases over the same periods last year of $0.9 million and $2.1 million respectively. This is mainly due to the acquisition and deployment of street furniture equipment for the street furniture program in the City of Toronto (the "TSF") and to the implementation of the new Digital outdoor advertising network in the Outdoor segment. Any significant depreciation and amortization variance by segment is reviewed in the "Business Segment Performance" section.

(1) See "Supplementary Measures".
(2) See "Restatement of Fiscal 2009 Figures".

Interest

Interest expense is primarily composed of interest on the Company's long-term debt, interest emanating from the interest-rate swap agreement and imputed interest related to other non-current liabilities, net of interest income earned on cash, cash equivalents and short-term investments. The net interest expense for the three- and six-month periods ended February 28, 2010 was $6.6 million and $13.8 million respectively, compared to $9.5 million and $20.1 million for the same periods last year. The decreases in the interest expense of $2.9 million for the quarter and $6.3 million for the six-month period are mainly due to a lower interest rate on the portion of the long-term debt which is not covered by the interest-rate swap agreement and to debt repayments of $140.0 million over the last twelve months. The effective interest rate on the long-term debt, including the effect of the interest-rate swap agreement, was 3.5% and 3.6% respectively, for the second quarter and the six-month period ended February 28, 2010 compared to 4.3% and 4.6% for the same periods last year.

Income Taxes

The effective income tax rate of 30.7% for the three-month period ended February 28, 2010 is comparable to the statutory rate of 30.6%. The impact of the non-deductible stock-based compensation expense is completely offset by the impact of changes in the geographical allocation of the Company's taxable income. The effective income tax rate is lower than last year's rate of 33.0% for the corresponding period mainly due to the decrease in the Federal and Ontario general corporate income tax rates and to the impact of changes in the geographical allocation of the Company's taxable income.

On November 16, 2009, the Ontario government substantively enacted a progressive decrease to its general corporate income tax rate from 14.0% to 10.0%, to be phased in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. This resulted in a non-cash future income tax recovery of $8.4 million (or $0.15 per share) recorded in the first quarter of Fiscal 2010.

Excluding this non-cash future income tax recovery, the effective income tax rate of 31.2% for the six-month period ended February 28, 2010 is higher than the statutory rate of 30.6%, mainly due to the non-deductible stock-based compensation expense. The effective income tax rate is lower than last year's rate of 32.6% for the corresponding period mainly due to the decrease in the Federal and Ontario general corporate income tax rates.

Net Earnings and Earnings per Share ("EPS")

The increases in net earnings and basic EPS of $6.5 million and $0.12 respectively, for the three-month period ended February 28, 2010 are mainly explained by an increase in revenues of $9.0 million, of which $6.5 million came from subscription-related revenues in Television and $2.5 million from an increase in overall advertising revenues, by the restructuring charges recorded in Fiscal 2009, and by lower interest expense of $2.9 million following a decrease in the effective interest rate and debt repayments of $140.0 million over the last twelve months.

The increases in net earnings and basic EPS of $31.6 million and $0.55 respectively, for the six-month period ended February 28, 2010 compared to last year's corresponding period are mainly explained by an increase in revenues of $15.2 million, principally subscription-related revenues in both pay and specialty television, by the Part II licence fees accrual reversal of $11.6 million ($8.0 million net of income taxes or $0.14 per share) (see "Part II Licence Fees Accrual Reversal" section), by the restructuring charges recorded in Fiscal 2009, by lower interest expense of $6.3 million following a decrease in the effective interest rate and debt repayments of $140.0 million over the last twelve months, and by the non-cash future income tax recovery of $8.4 million (see "Income Taxes" section).

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BUSINESS SEGMENT PERFORMANCE

Television

(*in thousands of $ except for pay-television subscribers)*	3 months 2010	3 months 2009 (Restated) [1]	3 months % Change	6 months 2010	6 months 2009 (Restated) [1]	6 months % Change
Pay-television subscribers – end of period (in thousands)	1,819	1,776	2%	1,819	1,776	2%
Revenues	129,448	121,778	6%	270,675	255,217	6%
Operating expenses	83,250	81,129	3%	171,023	170,660	–
Part II licence fees accrual reversal	–	–	–	(3,154)	–	n/a
EBITDA [2]	46,198	40,649	14%	102,806	84,557	22%
Depreciation and amortization	2,415	2,195	10%	4,813	4,356	10%
	43,783	38,454	14%	97,993	80,201	22%
EBITDA margin [2] [3]	*35.7%*	*33.4%*	*7%*	*36.8%*	*33.1%*	*11%*

The Television segment showed a strong performance in the three- and six-month periods ended February 28, 2010 mainly due to strong subscription-related revenues, up 7% in both periods, and to a rebound in advertising revenues which showed an increase of 6% during the second quarter of Fiscal 2010. This resulted in overall revenue increases of 6% in both the three- and six-month periods, mainly explained by higher subscribers, the launch of new television services such as HBO Canada in Fiscal 2009, the continuing expansion of digital distribution services and high-definition service offerings, high-quality and exclusive programming, strong brand recognition and an effective sales force.

Pay-television revenues (The Movie Network ("TMN"), Super Écran ("SÉ"), Mpix and Cinépop) increased by 8% and 9% respectively, in the second quarter and the six-month period of Fiscal 2010, while the number of pay-television subscribers, as at February 28, 2010, increased by 2% year-over-year. HBO Canada contributed significantly to the increase of pay-television revenues. Specialty television subscriber revenues increased by 5% in both the three- and six-month periods ended February 28, 2010, mainly due to increases in the subscriber base.

Overall advertising revenues for the Television segment increased by 6% and 3% respectively for the three- and six-month periods ended February 28, 2010. Specifically, Astral's specialty networks advertising revenues derived from air time, which account for more than 90% of Astral's Television advertising revenues, increased by 11% during the second quarter of Fiscal 2010, in line with the combined Québec and Ontario television advertising market [4], confirming signs of increased activity beneficial to specialty television networks following the economic slowdown experienced throughout Fiscal 2009. This increase was partially offset by lower merchandising and Web site related revenues. On a year-to-date basis, Astral's specialty networks advertising revenues increased by 4%, while the combined Québec and Ontario television advertising market increased by an estimated 1% [4]. For the first six months of Fiscal 2010, the French-language speciality television's market share for the 2-and-over age category increased by approximately 1%, while conventional networks suffered a decrease of approximately 3% in the same age category [5]. The Company's Television advertising revenues accounted for 21% of total Television revenues for the first six months of Fiscal 2010 compared to 22% for the same period last year.

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".
(3) The Television EBITDA margin for the six-month period is calculated excluding the impact of the Part II licence fees accrual reversal of $3.2 million.
(4) TVB – Time Sales Survey – January 2010.
(5) BBM results, Québec francophone, cumulative average since September 1, 2009.

The Television group's operating expenses increased by 3% during the second quarter of Fiscal 2010. This is mainly due to higher programming and marketing expenses, partially offset by the fact that the Company did not incur costs related to the launch of new services during the second quarter of Fiscal 2010 compared to costs of $2.5 million related to the launch of new services incurred during the same period last year (mainly HBO Canada).

On a year-to-date basis, the Television group's operating expenses, excluding the Part II licence fees accrual reversal of $3.2 million, increased by $0.4 million. This is mainly due to higher programming, marketing and miscellaneous administrative expenses, partially offset by the fact that the Company did not incur costs related to the launch of new services during the first six months of Fiscal 2010 compared to costs of $6.3 million related to the launch of new services incurred during the same period last year (mainly HBO Canada). Programming costs vary according to the number of subscribers and to Canadian content (Cancon) spending requirements which are calculated as a percentage of the prior year's revenues. These costs have risen mainly as a result of the higher number of subscribers and related revenues generated by the Company's pay networks, as well as increased programming spending requirements for both pay and specialty networks.

As a result, the Television EBITDA (1) for the three- and six-month periods ended February 28, 2010 increased by 14% and 22% respectively. The EBITDA margins (1) of 35.7% for the quarter and 36.8% (2) for the six-month period are above last year's EBITDA margins (1) of 33.4% and 33.1% for the same periods respectively, mainly due to increased revenues and the absence of costs incurred to launch new services in Fiscal 2010.

Due to the nature of the Company's activities, the depreciation and amortization expense in the Television segment is relatively stable from one year to another.

Radio

	3 months			6 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
		(Restated) (3)			(Restated) (3)	
Revenues	73,906	75,334	-2%	163,071	165,192	-1%
Operating expenses	53,931	52,099	4%	111,958	111,301	1%
Part II licence fees accrual reversal	–	–	–	(8,398)	–	n/a
EBITDA (1)	19,975	23,235	-14%	59,511	53,891	10%
Depreciation and amortization	2,578	2,500	3%	5,485	4,953	11%
Restructuring charges	–	2,691	n/a	–	2,691	n/a
	17,397	18,044	-4%	54,026	46,247	17%
EBITDA margin (1) (4)	*27.0%*	*30.8%*	*-12%*	*31.3%*	*32.6%*	*-4%*

The first half of Fiscal 2010 was a challenging period for Astral Media Radio where the economic slowdown experienced across Canada was still adversely impacting advertising sales, but to a lesser extent than in the latter half of Fiscal 2009. Despite this challenging economic period, Astral Media Radio recorded a revenue decrease of 2% in the second quarter of Fiscal 2010 compared to the same period last year while the overall radio market in Canada, limited to the footprint where Astral Media Radio operates, decreased by 3%. For the first six months of Fiscal 2010, Radio advertising revenues decreased by 1% while the overall radio market in Canada, limited to the footprint where Astral Media Radio operates, decreased by 5%. The performance and resiliency of Astral's radio stations in comparison to the market are mainly due to focused sales strategies and key investments made in branding and programming.

(1) See "Supplementary Measures".
(2) The Television EBITDA margin for the six-month period is calculated excluding the impact of the Part II licence fees accrual reversal of $3.2 million.
(3) See "Restatement of Fiscal 2009 Figures".
(4) The Radio EBITDA margin for the six-month period is calculated excluding the impact of the Part II licence fees accrual reversal of $8.4 million.

The Radio group's operating expenses, for the three-month period ended February 28, 2010, increased by 4% as compared to the same period last year. This is mainly due to higher programming expenses and higher investments related to the introduction of the Portable People Meter (PPM) measurement system. On a year-to-date basis, the Radio group's operating expenses, excluding the Part II licence fees accrual reversal of $8.4 million, increased by 1% compared to the same period last year. This is mainly due to higher investments made in branding and programming partially offset by lower variable costs related to the decrease in revenues.

This resulted in an EBITDA (1) decrease of 14% for the second quarter and an EBITDA increase of 10% for the six-month period, including the Part II licence fees reversal of $8.4 million. Astral Media Radio's EBITDA margins (1) of 27.0% and 31.3% (2) for the quarter and the six-month period respectively are below EBITDA margins (1) of 30.8% and 32.6% for the same periods last year mainly due to the combination of lower revenues and higher operating expenses as explained above.

The increases in the depreciation and amortization expense of $0.1 million and $0.5 million respectively for the three- and six-month periods ended February 28, 2010, are mainly due to higher capital expenditures for infrastructure upgrades during the last twelve months.

Outdoor

	3 months			6 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Revenues	14,927	12,166	23%	35,220	33,352	6%
Operating expenses	11,836	10,671	11%	24,350	24,041	1%
EBITDA (1)	3,091	1,495	107%	10,870	9,311	17%
Depreciation and amortization	2,217	1,630	36%	4,272	3,228	32%
	874	(135)	n/a	6,598	6,083	8%
EBITDA margin (1)	*20.7%*	*12.3%*	*68%*	*30.9%*	*27.9%*	*11%*

During the second quarter of Fiscal 2010, the Company established Canada's first national digital outdoor advertising network by expanding its innovative technology in Vancouver and Toronto, to complement the ten digital boards already operating in Montreal. Vancouver's Digital network consists of nine 10 feet by 34 feet digital faces and the Toronto network currently features two 14 feet by 48 feet digital faces. The national Digital network is fully operational.

The Outdoor segment showed a strong performance in the second quarter of Fiscal 2010 with revenue increases of 23% for the quarter and 6% on a year-to-date basis. This performance is indicative of increased activity for outdoor advertising following the economic slowdown experienced throughout Fiscal 2009 and the first quarter of Fiscal 2010. The Company's new Digital outdoor advertising network and the TSF contributed significantly to this rebound in the second quarter.

The increase of $1.2 million in operating expenses for the three-month period ended February 28, 2010 is mainly due to higher variable costs and higher commissions on sales which are in line with the increased level of revenues. As a result of miscellaneous cost savings in the first quarter of Fiscal 2010 the increase in operating expenses is reduced to $0.3 million on a year-to-date basis.

(1) See "Supplementary Measures".
(2) The Radio EBITDA margin for the six-month period is calculated excluding the impact of the Part II licence fees accrual reversal of $8.4 million.

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The resulting EBITDA [1] increased by $1.6 million for both the three- and six-month periods ended February 28, 2010 compared to last year's corresponding periods. EBITDA margins [1] were 20.7% for the quarter and 30.9% for the six-month period, representing increases of 8.4 and 3.0 basis points respectively, in comparison to the same periods last year.

The depreciation and amortization expense of $2.2 million for the quarter and $4.3 million for the six-month period represent increases of $0.6 million and $1.0 million respectively as compared to last year's figures. This is mainly due to investments in the new Digital outdoor advertising network and to TSF-related asset acquisitions over the last twelve months.

Corporate

	3 months			6 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Corporate costs	(5,349)	(4,638)	15%	(10,316)	(9,852)	5%
Stock-based compensation	(1,328)	(1,555)	-15%	(3,471)	(3,266)	6%
Corporate EBITDA [1]	(6,677)	(6,193)	8%	(13,787)	(13,118)	5%
Depreciation and amortization	(224)	(201)	11%	(448)	(385)	16%
	(6,901)	(6,394)	8%	(14,235)	(13,503)	5%

Higher Corporate EBITDA [1] charges of $0.5 million and $0.7 million respectively for the three- and six-month periods ended February 28, 2010 compared to the same periods last year are essentially due to higher expenses with respect to the Company's deferred share unit plan following an increase in the Company's share price.

(1) See "Supplementary Measures".

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Quarterly Performance

Approximately 55% of the Company's annual revenues consist of advertising revenues that tend to follow seasonal patterns, with the second quarter being the least favourable. Subscriber-based revenues, which are more stable on a quarter-to-quarter basis and tend to do better in recessionary periods, represent approximately 45% of the Company's revenues.

It should be noted that Fiscal 2008 advertising revenue, in all three segments of the Company, benefitted from the fact that the Fiscal 2008 broadcasting calendar included one additional week, for a total of 53 weeks compared to 52 weeks in Fiscal 2009, most of the difference being in the fourth quarter which included 98 days in 2008 compared to 92 days in 2009.

Operating expenses are generally stable on a quarter-to-quarter basis as they tend to be incurred evenly throughout the year. The resulting quarterly EBITDA margins (1) will therefore tend to vary on the basis of advertising revenue fluctuations. Quarterly performance should therefore be interpreted taking the above factors into consideration, especially in the second quarter.

The following table highlights the quarterly performance of the Company's operations for the past eight quarters, reflecting seasonal patterns:

	2008 Restated (2)		2009 Restated (2)				2010	
(in thousands of $ except for per-share data)	Q3	Q4	Q1	Q2	Q3	Q4 (3)	Q1 (4)	Q2
Revenues	231,944	229,872	244,483	209,278	232,537	219,427	250,685	218,281
EBITDA (1)	81,110	80,321	75,455	59,186	81,834	76,668	96,813	62,587
Net earnings from continuing operations	42,627	40,346	39,605	27,103	44,269	44,257	56,244	33,643
Basic EPS from continuing operations	0.75	0.72	0.71	0.48	0.79	0.79	1.00	0.60
Diluted EPS from continuing operations	0.74	0.71	0.70	0.48	0.78	0.78	0.99	0.59
Net earnings	42,705	38,478	39,605	27,103	44,269	44,257	56,244	33,643
Basic EPS	0.75	0.68	0.71	0.48	0.79	0.79	1.00	0.60
Diluted EPS	0.74	0.68	0.70	0.48	0.78	0.78	0.99	0.59

(1) See "Supplementary Measures".

(2) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for each quarter of Fiscal 2008 and 2009 (see "Restatement of Fiscal 2009 Figures").

(3) Before the impact of the impairment of broadcast licences of $317.5 million, net of future income tax recovery (see "Impairment of Broadcast Licences and Goodwill" in the Company's 2009 Annual Report).

(4) Before impact of future income tax rate changes (see "Income Taxes" and "Supplementary Measures").

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FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

	3 months		6 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Cash flow from operations (2)	45,690	38,074	105,297	88,796

(in thousands of $)	February 28 2010	August 31 2009
Cash and cash equivalents	33,455	23,100

Cash flow from operations (2) increased by $7.6 million and $16.5 million respectively for the three- and six-month periods ended February 28, 2010 as compared to the same periods last year. These increases are the result of increases in net earnings for both periods ended February 28, 2010 that are mainly explained by increased revenues of $9.0 million and $15.2 million respectively, principally subscription-related revenues in both pay and specialty television, and to lower interest expense, mainly explained by lower interest rates and debt reimbursements.

The Company's cash and cash equivalents increased to $33.5 million as at February 28, 2010 from $23.1 million as at August 31, 2009. This increase is mainly due to $82.9 million of cash provided by the Company's operating activities in the six-month period ended February 28, 2010 and to $8.1 million of cash provided by the exercise of stock options. This is partially offset by reimbursements of $40.0 million of long-term debt, disbursements of $20.1 million for property, plant and equipment ("Capital Expenditures"), dividend payments of $14.1 million, and disbursements of $5.6 million for other intangible and non-current assets.

The Company's financial condition is among the strongest in the industry. Cash flows from operating activities generate sufficient liquidity to cover its known operating and capital requirements, its renewed normal course issuer bid (see "Financing Activities"), its dividend payments, its debt service, its pension plan obligations and its current and longer term commitments.

The balance sheet as at February 28, 2010 did not vary in a significant manner as compared to August 31, 2009, with the exception of the following: an increase of $10.4 million in cash and cash equivalents as explained above; a decrease of $13.0 million in future income tax assets mainly due to the decrease of Ontario's general corporate income tax rate from 14.0% to 10.0% to be phased in between July 1, 2010 and July 1, 2013 (see "Income Taxes" section); a decrease of $33.5 million in accounts payable and accrued liabilities mainly due to the reversal of $11.6 million of Part II licence fees accrued over the last three years (see "Part II Licence Fees Accrual Reversal" section), and to the payment of certain amounts payable under conditions of CRTC licence acquisitions; a decrease in long-term debt mainly due to reimbursements of $40.0 million during the six-month period ended February 28, 2010; a decrease of $11.8 million in long-term future income tax liabilities mainly due to the decrease of Ontario's general corporate income tax rate (see "Income Taxes" section); and an increase of $12.6 million in capital stock following the exercise of stock options and the conversion of restricted share units into Class A shares.

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".

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The Company's cash flows from operating, investing and financing activities are summarized in the following table:

	3 months		6 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Cash flow from operating activities	55,823	58,834	82,900	93,326
Cash used for investing activities, excluding net variation of short-term investments (2)	(15,081)	(10,412)	(25,656)	(24,109)
Cash used in financing activities	(37,725)	(23,945)	(46,889)	(33,869)
Net change in cash, cash equivalents, and short-term investments	3,017	24,477	10,355	35,348
Cash, cash equivalents (bank overdraft) and short-term investments – beginning of period	30,438	17,189	23,100	6,318
Cash and cash equivalents – end of period	33,455	41,666	33,455	41,666

OPERATING ACTIVITIES

Cash provided by operating activities for the three- and six-month periods ended February 28, 2010 decreased by $3.0 million and $10.4 million respectively, as compared to the same periods last year. These decreases are mainly due to higher working capital and other non-cash operating items requirements of $10.6 million and $26.9 million respectively, partially offset by higher cash flows from operations (2) of $7.6 million and $16.5 million respectively. Higher cash flows from operations (2) are mainly explained by increased revenues of $9.0 million and $15.2 million respectively for both periods, principally subscription-related revenues in both pay and specialty television, and to lower interest expense. Higher working capital and other non-cash operating items requirements in both periods are mainly due to timing differences in the acquisitions and payments of program and film rights, and to higher payments of accounts payable and accrued liabilities.

INVESTING ACTIVITIES

Cash used for investing activities during the three-month period ended February 28, 2010, increased by $4.7 million as compared to last year's corresponding period. This increase is mainly due to higher additions to other intangible and non-current assets of $3.5 million, consisting mainly of Outdoor advertising licence fees and computer software, and to higher Capital Expenditures of $1.2 million. On a year-to-date basis, cash used for investing activities, excluding net variation of short-term investments (2), increased by $1.5 million as compared to last year's corresponding period. This increase is essentially due to higher additions to other intangible and non-current assets of $4.3 million, consisting mainly of Outdoor advertising licence fees and computer software, and is partially offset by the net cash consideration of $2.8 million paid last year in the first quarter of Fiscal 2009 as part of the acquisition of Standard Radio Inc.

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".

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The following table details the Capital Expenditures by segment for the three- and six-month periods ended February 28:

	3 months			6 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Capital Expenditures		(Restated) (1)			(Restated) (1)	
Television	957	1,174	-18%	1,749	3,415	-49%
Radio	1,465	2,052	-29%	1,888	3,443	-45%
Outdoor	7,848	6,803	15%	14,375	11,075	30%
Corporate	418	248	69%	712	290	146%
Total Capital Expenditures	10,688	10,277	4%	18,724	18,223	3%

Capital Expenditures for the three- and six-month periods ended February 28, 2010 were $10.7 million and $18.7 million respectively as compared to $10.3 million and $18.2 million spent in the same periods of Fiscal 2009. The most significant Capital Expenditures pertain to TSF-related structures, other outdoor advertising structures, high-definition and other broadcasting equipment, as well as computer equipment. The increases in Outdoor's Capital Expenditures in both periods of Fiscal 2010 as compared to the same periods last year are mainly explained by the investments in the new Digital outdoor advertising network and by higher spending for other outdoor advertising structures. The decreases in Television and Radio are mainly due to lower investments in miscellaneous equipments and leasehold improvements. The unaudited interim consolidated statements of cash flows for the three- and six-month periods ended February 28, 2010 exclude additions to Capital Expenditures of $0.9 million that were unpaid as at that date (exclude additions of $1.6 million for the three- and six-month periods ended February 28, 2009) and include additions to Capital Expenditures of $1.3 million and $2.3 million that were unpaid as at November 30, 2009 and August 31, 2009 (include additions of $1.1 million and $3.4 million that were unpaid as at November 30, 2008 and August 31, 2008 respectively for the three- and six-month periods ended February 28, 2009).

Subsequent to the end of the second quarter, the Company unveiled its renewed emphasis on building out its Radio Interactive business (see "Business Developments" section). Consequently, overall spending on Capital Expenditures and computer software in Fiscal 2010, now estimated at approximately $70.0 million, will be slightly higher than was expected at the beginning of the year. Approximately 45% of expected overall spending is attributable to the Outdoor segment, mainly for TSF-related structures and for the new Digital outdoor advertising network.

FINANCING ACTIVITIES

Cash used in financing activities in the second quarter of Fiscal 2010 was $37.7 million compared to $23.9 million for the same period last year for an increase of $13.8 million. This is due to higher repayments of long-term debt of $20.0 million, and to $0.9 million of shares repurchased by the Company, partly offset by higher proceeds of $7.2 million from the exercise of stock options. On a year-to-date basis, cash used in financing activities increased by $13.0 million due to higher repayments of long-term debt of $20.0 million, and to $0.9 million of shares repurchased by the Company, partly offset by higher proceeds of $7.9 million from the exercise of stock options.

On December 9, 2009, the Company announced the renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program will be conducted over a maximum period of 12 months which began on December 15, 2009.

(1) See "Restatement of Fiscal 2009 Figures".

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On December 9, 2008, the Company announced the renewal of its normal course issuer bid to repurchase for cancellation up to 2,665,620 Class A shares and 139,234 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2008 for their respective class of shares. The share repurchase program was conducted over a maximum period of 12 months which ended on December 14, 2009. During the term of this renewed bid, the Company repurchased 27,200 Class A shares in December 2009 for a total consideration of $0.9 million.

CAPITAL STRUCTURE

In the management of capital, the Company includes long-term debt and shareholders’ equity (excluding accumulated other comprehensive income (loss)) as well as cash and cash equivalents (bank overdraft), and short-term investments in its definition of capital. The Company's overall capital management objectives are to create shareholder value through organic growth of its operations and through accretive acquisitions, and to maintain the most optimal capital structure in order to minimize its cost of capital.

As at February 28, 2010, the Company's capital structure consisted of shareholders' equity in the amount of $1,257.4 million, borrowings under the Facility in the amount of $655.0 million and cash and cash equivalents of $33.5 million. The unused portion of the Facility amounted to $155.7 million ($175.0 million less $19.3 million of outstanding letters of credits). As at February 28, 2010, there were no off-balance sheet liabilities. The number of outstanding Class A and Class B shares of the Company increased from a total of 56.2 million shares as at August 31, 2009 to 56.6 million shares as at February 28, 2010, mainly due to the exercise of stock options and to the conversion of restricted share units into Class A shares.

The following table presents additional share information:

Outstanding as at:	March 31, 2010	February 28, 2010	August 31, 2009
Class A shares	53,818,688	53,808,014	53,388,843
Class B shares	2,758,672	2,758,672	2,784,672
Special shares	65,000	65,000	65,000
Employee stock options	3,199,287	3,209,961	3,154,763
Restricted share units	282,800	282,800	303,800

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company reviews the amount of dividends to be paid to shareholders annually and periodically decides to repurchase its shares on the marketplace and/or to reimburse debt.

On October 29, 2007, the Company established a $1.0 billion credit facility (the “Facility”) with a syndicate of financial institutions, which has been reduced to $830.0 million as at February 28, 2010 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers’ acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios.

As at February 28, 2010, total borrowings under the Facility amounted to $655.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), and bear a weighted-average interest rate of 3.4% (3.8% as at August 31, 2009) after reflecting the effect of the interest-rate swap agreement described below. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty that can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has no repayment obligations before October 29, 2012 and is required to comply with certain financial ratios. The Company has been in compliance with these financial ratios and all other covenants since the establishment of the Facility.

Borrowings under the Company's floating rate Facility are subject to interest rate fluctuations. To manage the interest-rate risk exposures related to the Facility, on October 29, 2007 the Company entered into an interest-rate swap agreement with a large Canadian bank (the "Agreement") covering part of its long-term debt. The Company does not use derivative financial instruments for trading or speculative purposes. The Agreement is based on an initial nominal amount of $750.0 million which is being reduced periodically ($384.3 million as at February 28, 2010) based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed rate of 4.6% and receives interest based on floating 30-day bankers' acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument. Based on the current market value of the derivative financial instrument, an unrealized non-cash income of $6.1 million ($4.3 million net of income taxes), representing the change in market value since August 31, 2009, has been recorded in the unaudited interim consolidated statement of comprehensive income for the six-month period ended February 28, 2010.

During the first quarter of Fiscal 2010, the Company extended, from five to seven years, the term of the 589,330 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting in an additional stock-based compensation expense of $0.6 million for the six-month period ended February 28, 2010.

BUSINESS DEVELOPMENTS

On November 30, 2009, the Company announced the return of the show "Les Grandes Gueules" on the NRJ network. After a three-year hiatus, the trio "Les Grandes Gueules" is back behind the microphone since January 18, 2010. The history of "Les Grandes Gueules" on NRJ is an unprecedented radio success, encompassing a 15-year career with record ratings unrivalled anywhere else in Canada.

In October 2009, the Company established Canada's first national digital outdoor advertising network by expanding its innovative technology in Vancouver and Toronto, to complement ten digital boards already operating in Montreal. Vancouver's Digital network consists of nine 10 feet by 34 feet digital faces and the Toronto network currently features two 14 feet by 48 feet digital faces. The national Digital network is fully operational since December 2009.

On December 26, 2009, the Company launched a new radio format on 97.3 FM in Toronto. The radio station formerly known as EZ Rock has undergone a format flip, and adopted a new name, boom 97.3, and a revised personality lineup.

After the end of the quarter, the Company announced an agreement with Emmis Interactive, Inc. ("Emmis") whereby Emmis will provide its successful interactive platform and sales consulting services to Astral as part of Astral Media Radio's renewed emphasis on building out its Interactive business.

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the periods ended February 28, 2010 and 2009

RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Company faces a number of risks and uncertainties which, in many cases, also represent opportunities for its businesses. Additional risks and uncertainties, not presently known to the Company, or that the Company does not currently anticipate to be material, may impair its business operations. If any such risks materialize, the Company's business, financial condition and operating results could be adversely affected in a material way.

The Company's risks, uncertainties and opportunities have not materially changed during the last quarter. The following are updates to the risks, uncertainties and opportunities described in the MD&A included in the Company's 2009 Annual Report.

REGULATED ENVIRONMENT

Part II Licence Fees

In October 2009, the CAB announced a settlement agreement with the Government of Canada pertaining to the regulation of Part II licence fees. Consequently, the Company reversed accrued fee expenses of $11.6 million in the first quarter of Fiscal 2010 (see "Part II Licence Fees Accrual Reversal" section).

Regulatory Framework Amendments

The current regulatory framework for broadcast distribution undertakings ("BDU") and discretionary programming services, namely pay and specialty services was set in 2008 (BPN CRTC 2008-100) and responds to the CRTC's objective of reducing regulations to the minimum essential to achieve the objectives of the *Broadcasting Act* and to rely instead on market forces wherever possible. Most provisions will come into force on August 31, 2011 which coincides with the end of analog over-the-air broadcasting in Canada.

Discretionary services known as Category A services (former analog and Category 1 services) benefit from genre exclusivity and access distribution, except for mainstream sports and news services. The CRTC is also open to consider increased competition in other existing genres taking into account various criteria including the economic health of existing services and the consequences that might result from the introduction of competition. Once a genre is opened to competition, the competing services no longer benefit from access rights.

On January 27, 2010, the CRTC called for comments on opening up the general interest pay services genre to competition in the French-language market and on proposed conditions of licence for competing Canadian general interest pay services in the French-language market. This proceeding could result in the creation of a direct competitor to the Company's general interest French-language pay service Super Écran.

The CRTC is expected to shortly issue a new regulatory framework for video-on-demand services, including the possibility for discretionary services to offer their programming on demand.

On March 22, 2010, the CRTC issued its determination on issues relating to a group-based approach to the licensing of large English-language private television ownership groups as well as the revenue support for English- and French-language conventional television broadcasters (Broadcasting Regulatory Policy CRTC 2010-167). The appropriate approach for the French-language conventional television sector and the relevance of a group-based approach will be considered at the next licence renewal proceeding for TVA and V to take place in 2011.

The large English-language private ownership groups that control both conventional stations and specialty services (CTV, Canwest and Rogers) will be required to spend at least 30% of their overall gross revenues on Canadian programming; in order to meet this obligation, ownership groups will have the flexibility to shift resources among their conventional and specialty services. Ownership groups will also be required to spend at least 5% of their gross revenues on programs of national interest defined as drama and comedy series, documentaries and award shows that promote Canadian culture of which 75% will be allocated to programming produced by independent producers. This will replace the current exhibition requirements that conventional television services have for priority programming. The Canadian content exhibition requirement for English and French conventional television stations will be lowered from 60% to 55% during the broadcast year. Exhibition requirements for specialty will continue to be set on a case-by case basis. News and sports specialty services, pay per view and VOD services are excluded from the framework. The CRTC will hold licence renewal hearings for the largest English-language private ownership groups in 2011.

The CRTC has specified that a modified group-based approach with associated flexibility could apply to other ownership groups, including those controlling multiple specialty and pay services such as Astral, and it will consider licence amendments to allow flexibility in the allocation of Canadian spending requirements.

The CRTC will eliminate the Canadian Media Fund licence-fee top-up as an eligible Canadian expense to all specialty services with Canadian Programming Expenditure (“CPE”) requirements and will, at the time of the licence renewals for all specialty services, consider requests to adjust required CPE levels. The changes will only take effect upon licence renewal.

The CRTC has also determined that private conventional television will be permitted to negotiate with BDUs for the value of the distribution of their programming services; in the event that the parties cannot agree, the station could require the BDU to delete the programming exhibited by the station. The CRTC has initiated a reference to the Federal Court of Appeal seeking clarification on its jurisdiction under the *Broadcasting Act* to implement such a negotiation regime and has asked the Court to consider its request on an expedited basis.

The Local Programming Improvement Fund (LPIF) will be maintained at its current level of 1.5% of the BDUs’ gross revenues in support of local television in markets of less than one million of population. The CRTC has announced it would conduct a comprehensive review of the LPIF in 2011-2012.

The CRTC will allow increased advertising on the VOD platform; however, VOD licensees may only advertise in programming for which the VOD rights have been acquired from (a) a licensed Canadian broadcaster unrelated to the VOD undertaking, or (b) a related broadcaster that has also acquired the linear rights to the program. The CRTC has further determined that advertising on the VOD platform shall not be restricted to new forms of advertising. The details of its decision are set out in the Broadcasting Regulatory Policy 2010-190. The CRTC has decided to maintain its current policy with respect to the use of local availabilities as set out in Broadcasting Public Notice 2006-69.

The potential impact of the new group-based approach to the licensing of private television services on the Company’s financial results cannot be determined until the new measures are implemented.

Other Matters

On March 3, 2010, the Federal Government announced in the Speech from the throne its intention to liberalize the foreign ownership restrictions in the satellite and telecommunications industries. The potential impact of such a review on the Canadian broadcasting sector and on the Company cannot be determined until a final decision on these matters will be rendered.

Management constantly monitors the regulatory environment to identify risks and opportunities resulting from any changes.

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the periods ended February 28, 2010 and 2009

ACCOUNTING MATTERS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are presented in Note 1 to the audited consolidated financial statements for the year ended August 31, 2009.

NEW ACCOUNTING POLICIES

The Company's accounting policies were unchanged in the first six months of Fiscal 2010, with the exception of the adoption of new accounting policies on goodwill and intangible assets.

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following CICA recommendations:

- Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously recorded in depreciation was reclassified as amortization of intangible assets on the unaudited interim consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. The prior year's net earnings for the three- and six-month periods ended February 28, 2009 were restated to recognize business pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the unaudited interim consolidated statement of earnings.

Following the adoption of Section 3064, cumulative adjustments to the consolidated balance sheet as at August 31, 2009 and to the unaudited interim consolidated statements of earnings and cash flows for the three- and six-month periods ended February 28, 2009, are summarized in Note 1.b) to the unaudited interim consolidated financial statements for the three- and six-month periods ended February 28, 2010.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will thus apply IFRS in Fiscal 2012 and will issue its consolidated financial statements in accordance with IFRS, including Fiscal 2011 comparative figures using the same reporting standards, starting September 1, 2011.

In order to prepare for the initial opening comparative balance sheet under IFRS on September 1, 2010 (the "Effective Date"), the Company is following a three-phase transition plan: initial diagnostic and assessment, in-depth analysis and implementation. The Company has completed the initial high-level diagnostic and a preliminary IFRS impact assessment was conducted to classify the impact of individual IFRS items on the Company's consolidated financial statements as high, moderate or low.

The second phase began in the first quarter of Fiscal 2010 and its completion is planned for the first quarter of Fiscal 2011. In this phase, the Company is performing a detailed analysis of IFRS, including the identification of the differences between IFRS and Astral's current accounting policies, in order to prioritize the key areas that will be more significantly impacted by the changeover, and to determine the options permitted under IFRS at the Effective Date and on an ongoing basis in order to finalize conclusions.

This phase also includes detailed planning of information technology and human resources as they relate to the changeover. Moreover, internal procedures and systems that require updating and adapting will be identified, including adjustments to existing and the implementation of additional internal controls over financial reporting and disclosure controls and procedures that are necessary to certify financial reporting during the changeover and post-implementation periods.

Finally, in the third phase, the Company will implement the accounting changes and the required modifications to internal procedures, controls and systems so that they are in place and operating effectively for first fiscal year under IFRS.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading to the changeover, AcSB will continue to issue new accounting standards that are aligned with IFRS, which will reduce the impact of adopting IFRS on the Effective Date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period. As a result of the upcoming changes, the final impact of IFRS on the Company's consolidated financial statements can only be determined once all of the IFRS applicable at the Effective Date are known.

Based on its initial assessment, the Company has identified the following list of International Accounting Standards pronouncements that differ from Canadian GAAP and that could impact the Company's consolidated financial statements. The list of items should not be seen as exhaustive and is subject to change following the completion of the second phase of our transition plan and potential modifications to IFRS prior to adoption by the Company:

- i) First-time adoption of IFRS;
- ii) Financial statement presentation and disclosure;
- iii) Asset impairment;
- iv) Employee benefits;
- v) Share-based payments;
- vi) Property, plant and equipment;
- vii) Joint ventures;
- viii) Income taxes;
- ix) Provisions and contingencies.

At this point, Astral has assessed some of the exemptions from full retrospective application available under IFRS 1 – *First time adoption of IFRS* on the Effective Date and their potential impact on the Company's consolidated financial statements. Astral expects to use the following significant exemption at the Effective Date:

IFRS 1 Exemption	Significant Impact
1. Employee Benefits	Astral expects to apply the exemption giving the Company the ability to record net cumulative actuarial gains and losses on the Effective Date related to Astral's pension plans through opening retained earnings.

Pursuant to its transition plan, the Company also analyzed some of the identified differences itemized in the list above. Significant accounting differences regarding recognition, measurement, presentation and disclosure between Canadian GAAP and IFRS for the items analyzed to date are as follows:

Accounting Items	Significant Differences Identified
1. Employee Benefits	• Astral's accounting measurement date will be August 31 under IFRS compared to a measurement date of June 30 under Canadian GAAP. • After the Effective Date, Astral will have the opportunity to recognize all of its pension plans' actuarial gains and losses through other comprehensive income with no impact on earnings, while under Canadian GAAP, the Company is using the corridor method to amortize actuarial gains and losses through earnings. • After the Effective Date, Astral will determine pension costs using a fair value of plan assets approach, while under Canadian GAAP Astral is using a market-related value approach to determine the pension costs. • Additional disclosure will be required under IAS 19, including disclosure of employee benefits for key management personnel as required under IAS 24 – Related Party Transactions.
2. Income Taxes	• On and after the Effective Date, Astral will measure deferred tax assets and liabilities for indefinite-life intangible assets using the effective tax rates derived from the relevant tax structure, while under Canadian GAAP, Astral is using normal business income tax rates. • Additional disclosures will be required under IFRS such as explanations for the variation of the statutory income tax rate from one period to another. • All deferred tax balances will be classified as non-current. • Management is still assessing the impact on the consolidated financial statements of the accounting for tax uncertainties.

The above table of significant differences addresses only the items analyzed to date and should not be seen as exhaustive, and is subject to change following the completion of the second phase of our transition plan and potential modifications to IFRS prior to adoption by the Company.

As the Company assesses its IFRS requirements, adjustments to internal controls over financial reporting and disclosure controls and procedures will be needed and new controls could be necessary.

The Company has secured the appropriate internal and external resources to complete the transition plan on a timely basis. Astral will also provide sufficient training sessions to all relevant resources. During the transition, Astral will monitor ongoing changes to IFRS and adjust the transition plan accordingly. Management is providing the Audit Committee with timely project status updates as well as indications, decisions and conclusions regarding IFRS options. Astral's transition status is currently on track with its implementation schedule which calls for initial reporting under IFRS starting September 1, 2011.

As disclosed in the Capital Structure section, the Company is required to comply with certain financial ratios under the terms of its Facility. The Company does not believe that the implementation of IFRS analyzed to date will have a significant impact on those financial ratios.

Additional disclosure on the impact of the adoption of IFRS on Astral's consolidated financial statements will be provided in future MD&As.

FUTURE ACCOUNTING CHANGES

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company's future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaced Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to IFRS 3(R), *Business Combinations*. Section 1602 is the Canadian equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements*.

The Company is in the process of evaluating the requirements of Sections 1582, 1601 and 1602, and their potential impact on the Company's future consolidated financial statements.

INTER-COMPANY AND RELATED-PARTY TRANSACTIONS

Inter-company and related-party transactions and balances between companies and divisions owned by the Company are eliminated upon consolidation for subsidiaries and on a pro-rata basis for joint ventures. There are no other significant related-party transactions to report.

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the periods ended February 28, 2010 and 2009

SUPPLEMENTARY MEASURES

In addition to discussing earnings measures in accordance with GAAP, this MD&A provides the following supplementary measures which are also factors used by management in monitoring and evaluating the performance of the Company and its business segments:

EBITDA (earnings before interest, taxes, depreciation and amortization) is provided to assist investors in determining the ability of the Company to generate cash flow from operating activities and to cover financial charges. Other items such as restructuring charges are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. EBITDA is also an indicator widely used for business valuation purposes. EBITDA margin is defined as the ratio obtained by dividing EBITDA by revenues.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of earnings for the periods ended February 28, 2010 and 2009 to EBITDA:

	3 months		6 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Earnings before income taxes	48,539	40,423	130,579	98,964
Depreciation and amortization	7,434	6,526	15,018	12,922
Interest expense, net	6,614	9,546	13,803	20,064
Restructuring charges	–	2,691	–	2,691
EBITDA	62,587	59,186	159,400	134,641

Net earnings and basic earnings per share before the impact of future income tax rate changes. These measures provide an indication of the Company's ability to generate earnings and cash flows from its ongoing operations, by excluding the non-cash future income tax recovery or expense resulting from income tax rate changes over which the Company has no control.

The following tables reconcile GAAP measures disclosed in the unaudited interim consolidated statements of earnings for the periods ended February 28, 2010 and 2009 to net earnings and basic earnings per share, before the impact of future income tax rate changes.

	3 months		6 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Net earnings	33,643	27,103	98,284	66,708
Future income tax recovery resulting from income tax rate changes	–	–	(8,397)	–
Net earnings before the impact of future income tax rate changes	33,643	27,103	89,887	66,708

	3 months		6 months	
(in dollars)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Basic earnings per share	0.60	0.48	1.74	1.19
Impact of future income tax rate changes	–	–	(0.15)	–
Basic earnings per share, before the impact of future income tax rate changes	0.60	0.48	1.59	1.19

(1) See "Restatement of Fiscal 2009 Figures".

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the periods ended February 28, 2010 and 2009

Cash flow from operations is defined as cash flow from operating activities before the net change in non-cash operating items. This measure provides an indication of the Company's ability to generate cash flows without considering certain timing and other factors causing variations in non-cash operating items.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of cash flows for the periods ended February 28, 2010 and 2009 to cash flow from operations:

	3 months		6 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Cash flow from operating activities	55,823	58,834	82,900	93,326
Net change in non-cash operating items	(10,133)	(20,760)	22,397	(4,530)
Cash flow from operations	45,690	38,074	105,297	88,796

Cash used for investing activities, excluding net variation of short-term investments provides an indication of the Company's use of cash flows for the acquisition of long-term assets. Also, the Company does not consider the variation of short-term investments as investing activities as they can be cashed on demand to meet future financial obligations.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of cash flows for the periods ended February 28, 2010 and 2009 to cash used for investing activities, excluding variation of short-term investments:

	3 months		6 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Cash used for investing activities	(15,081)	(10,412)	(25,656)	(14,147)
Net variation of short-term investments	–	–	–	(9,962)
Cash used for investing activities, excluding net variation of short-term investments	(15,081)	(10,412)	(25,656)	(24,109)

The above supplementary measures do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

(1) See "Restatement of Fiscal 2009 Figures".

ASTRAL MEDIA INC.
Management's Discussion and Analysis
for the periods ended February 28, 2010 and 2009

CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to them and have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its consolidated financial statements.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company deem the design of disclosure controls and procedures and the design of ICFR to be adequate, as at February 28, 2010.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer have also evaluated whether there were changes in the Company's ICFR in the quarter ended February 28, 2010, that have materially affected, or are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

ASTRAL MEDIA INC.
Notice of Disclosure of Non-auditor Review of Interim Financial Statements for the periods ended February 28, 2010 and 2009

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended February 28, 2010 and 2009, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's independent auditors, Ernst & Young LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 8th day of April, 2010.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Earnings
for the periods ended February 28, 2010 and 2009
(in thousands of Canadian dollars except for per-share data)
(unaudited)

	Notes	3 months 2010	3 months 2009 *(Restated – see Note 1.b))*	6 months 2010	6 months 2009 *(Restated – see Note 1.b))*
Revenues		$ 218,281	$ 209,278	$ 468,966	$ 453,761
Operating expenses	12	155,694	150,092	309,566	319,120
		62,587	59,186	159,400	134,641
Depreciation		6,287	5,324	12,427	10,618
Amortization of intangible assets		1,147	1,202	2,591	2,304
Interest expense, net	2	6,614	9,546	13,803	20,064
Restructuring charges		–	2,691	–	2,691
Earnings before income taxes		48,539	40,423	130,579	98,964
Income tax provision before undernoted		14,896	13,320	40,692	32,256
Future income tax recovery resulting from income tax rate changes	3	–	–	(8,397)	–
		14,896	13,320	32,295	32,256
Net earnings		$ 33,643	$ 27,103	$ 98,284	$ 66,708
Earnings per share	9				
- Basic		$ 0.60	$ 0.48	$ 1.74	$ 1.19
- Diluted		$ 0.59	$ 0.48	$ 1.72	$ 1.18

See accompanying notes.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Cash Flows
for the periods ended February 28, 2010 and 2009

(in thousands of Canadian dollars)
(unaudited)

		3 months		6 months	
	Notes	2010	2009	2010	2009
Cash and cash equivalents provided by (used for):			*(Restated – see Note 1.b))*		*(Restated – see Note 1.b))*
OPERATING ACTIVITIES					
Net earnings		$ 33,643	$ 27,103	$ 98,284	$ 66,708
Non-cash charges (credits):					
Part II licence fees accrual reversal	12	–	–	(11,552)	–
Stock-based compensation costs	9, 10	1,328	1,555	3,471	3,266
Depreciation and amortization		7,434	6,526	15,018	12,922
Imputed interest on other non-current liabilities	2	524	660	1,083	1,319
Amortization of deferred financing costs		171	171	342	343
Future income tax expense before undernoted		2,590	2,059	7,048	4,238
Future income tax recovery resulting from income tax rate changes	3	–	–	(8,397)	–
		45,690	38,074	105,297	88,796
Net change in non-cash operating items	4	10,133	20,760	(22,397)	4,530
Cash flow from operating activities		55,823	58,834	82,900	93,326
INVESTING ACTIVITIES					
Short-term investments - cashed		–	–	–	9,962
Additions to property, plant and equipment		(11,039)	(9,821)	(20,083)	(20,027)
Additions to other intangible and non-current assets		(4,042)	(591)	(5,573)	(1,295)
Business acquisition, net of cash acquired		–	–	–	(2,787)
Cash flow used for investing activities		(15,081)	(10,412)	(25,656)	(14,147)
FINANCING ACTIVITIES					
Repayment of long-term debt	8	(30,000)	(10,000)	(40,000)	(20,000)
Stock options exercised	9	7,274	85	8,114	165
Shares repurchased	9	(858)	–	(858)	–
Dividends		(14,141)	(14,030)	(14,145)	(14,034)
Cash flow used for financing activities		(37,725)	(23,945)	(46,889)	(33,869)
Net change in cash and cash equivalents		3,017	24,477	10,355	45,310
Cash and cash equivalents (bank overdraft) – beginning of period		30,438	17,189	23,100	(3,644)
Cash and cash equivalents – end of period		$ 33,455	$ 41,666	$ 33,455	$ 41,666

See accompanying notes and supplementary cash flow information (Note 4).

ASTRAL MEDIA INC.
Interim Consolidated Balance Sheets as at
(in thousands of Canadian dollars)
(unaudited)

	Notes	February 28, 2010	August 31, 2009 *(Restated – see Note 1.b))*
ASSETS			
Current			
Cash and cash equivalents		$ 33,455	$ 23,100
Accounts receivable		146,437	143,803
Program and film rights	7	102,547	92,545
Prepaid expenses and other current assets		29,725	27,904
		312,164	287,352
Program and film rights	7	62,692	61,219
Property, plant and equipment		157,934	151,637
Broadcast licences		1,408,037	1,408,037
Goodwill		356,945	356,945
Other intangible and non-current assets		53,399	50,894
Future income tax assets		66,473	79,522
		$ 2,417,644	$ 2,395,606
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 105,283	$ 138,771
Income taxes payable		17,847	12,191
Program and film rights payable		65,539	58,220
Future income tax liabilities		3,658	4,481
		192,327	213,663
Long-term debt	8	653,103	692,761
Future income tax liabilities		231,585	243,353
Other non-current liabilities		67,008	65,267
Derivative financial instruments		16,265	22,377
		1,160,288	1,237,421
SHAREHOLDERS' EQUITY			
Capital stock	9	765,594	753,028
Contributed surplus	10	15,703	17,068
Retained earnings		487,863	404,198
Accumulated other comprehensive loss	11	(11,804)	(16,109)
		476,059	388,089
		1,257,356	1,158,185
		$ 2,417,644	$ 2,395,606

Contingencies (Note 12).
See accompanying notes.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Retained Earnings
for the periods ended February 28, 2010 and 2009
(in thousands of Canadian dollars)
(unaudited)

	Notes	3 months 2010	3 months 2009 *(Restated – see Note 1.b))*	6 months 2010	6 months 2009 *(Restated – see Note 1.b))*
Retained earnings – beginning of period (February 28, 2009 – as previously reported)		$ 468,835	$ 639,546	$ 411,079	$ 597,188
Adjustment to the opening balance due to the adoption of an accounting policy	1	–	(5,408)	(6,881)	(2,651)
Retained earnings – beginning of period (February 28, 2009 – as restated)		468,835	634,138	404,198	594,537
Net earnings (February 28, 2009 – as previously reported)		33,643	28,947	98,284	71,309
Net impact of the adoption of an accounting policy	1	–	(1,844)	–	(4,601)
Net earnings (February 28, 2009 – as restated)		33,643	27,103	98,284	66,708
Shares repurchased – excess of purchase price over carrying value	9	(474)	–	(474)	–
Dividends		(14,141)	(14,030)	(14,145)	(14,034)
Retained earnings – end of period (February 28, 2009 – as restated)		$ 487,863	$ 647,211	$ 487,863	$ 647,211

See accompanying notes.

Interim Consolidated Statements of Comprehensive Income
for the periods ended February 28, 2010 and 2009
(in thousands of Canadian dollars)
(unaudited)

	Notes	3 months 2010	3 months 2009 *(Restated – see Note 1.b))*	6 months 2010	6 months 2009 *(Restated – see Note 1.b))*
Net earnings		$ 33,643	$ 27,103	$ 98,284	$ 66,708
Other comprehensive income (loss)					
Change in fair value of derivatives designated as cash flow hedges, net of income tax expense (recovery) of $1.0 million and ($0.2 million) respectively for the three months, and $1.8 million and ($3.5 million) respectively for the six months	11	2,734	(592)	4,305	(9,100)
Comprehensive income		$ 36,377	$ 26,511	$ 102,589	$ 57,608

See accompanying notes.

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the periods ended February 28, 2010 and 2009
(unaudited)

Astral Media Inc. ("Astral" or the "Company") is incorporated under the *Canada Business Corporations Act* and its shares are traded on the Toronto Stock Exchange. Its activities consist primarily of specialty, pay and pay-per-view television broadcasting, radio broadcasting and outdoor advertising.

1. ACCOUNTING POLICIES

a) Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with the exception that they do not include all of the disclosures that are required for annual financial statements. They should be read in conjunction with the audited consolidated financial statements and related notes and the Management's Discussion and Analysis ("MD&A") contained in the Company's 2009 Annual Report as well as the MD&A for the three- and six-month periods ended February 28, 2010 and 2009. The accounting policies are consistent with those used in preparing the audited consolidated financial statements for the year ended August 31, 2009, with the exception of the changes described below. All amounts are expressed in Canadian dollars.

Certain comparative figures have been reclassified to conform to the basis of presentation adopted in Fiscal 2010.

b) Accounting Changes

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following Canadian Institute of Chartered Accountants' ("CICA") recommendations:

> Section 3064*, Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously recorded in depreciation was reclassified as amortization of intangible assets on the interim consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. The prior year's net earnings for the three- and six-month periods ended February 28, 2009 were restated to recognize business pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the interim consolidated statements of earnings.

Following the adoption of Section 3064, cumulative adjustments to the consolidated balance sheet as at August 31, 2009 and to the interim consolidated statements of earnings and cash flows for the three- and six-month periods ended February 28, 2009 are summarized as follows:

Balance Sheet *(in thousands)*		August 31, 2009
		increase / (decrease)
Prepaid expenses and other current assets	$	(369)
Property, plant and equipment		(7,323)
Other intangible and non-current assets		(1,934)
	$	(9,626)
Future income tax liabilities	$	(2,745)
Retained earnings		(6,881)
	$	(9,626)

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Statements of Earnings *(in thousands except for per-share data)*	Three months ended February 28, 2009 *increase / (decrease)*	Six months ended February 28, 2009 *increase / (decrease)*
Operating expenses	$ 2,728	$ 6,738
Depreciation	(897)	(1,744)
Amortization of intangible assets	734	1,422
Earnings before income taxes	(2,565)	(6,416)
Income tax provision	(721)	(1,815)
Net earnings	$ (1,844)	$ (4,601)
Earnings per share		
- Basic	$ (0.04)	$ (0.08)
- Diluted	$ (0.03)	$ (0.08)

Statements of Cash Flows *(in thousands)*	Three months ended February 28, 2009 *increase / (decrease)*	Six months ended February 28, 2009 *increase / (decrease)*
Operating activities		
Net earnings	$ (1,844)	$ (4,601)
Depreciation and amortization	(163)	(322)
Future income tax expense	(721)	(1,815)
	(2,728)	(6,738)
Net change in non-cash operating items	77	77
Cash flow from operating activities	(2,651)	(6,661)
Investing activities		
Additions to property, plant and equipment	795	1,485
Additions to other intangible and non-current assets	1,856	5,176
Cash flows used for investing activities	2,651	6,661
Net change in cash and cash equivalents	$ –	$ –

Following the adoption of Section 3064, the opening consolidated retained earnings balance as at September 1, 2008 was reduced by $2.7 million.

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c) Future Accounting Changes

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company's future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaced Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of the assets acquired and liabilities assumed.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to International Financial Reporting Standard IFRS 3 (R), *Business Combinations*. Section 1602 is the Canadian equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*.

The Company is in the process of evaluating the requirements of Sections 1582, 1601 and 1602, and their potential impact on the Company's future consolidated financial statements.

2. Interest and Financial Expenses

	3 months		6 months	
(in thousands)	2010	2009	2010	2009
Interest expense on long-term debt	$ 1,547	$ 4,498	$ 3,230	$ 12,007
Interest expense related to swap agreement, net	4,172	4,118	8,905	6,430
Imputed interest on other non-current liabilities	524	660	1,083	1,319
Other interest expense and financing costs, net	371	270	585	308
	$ 6,614	$ 9,546	$ 13,803	$ 20,064

3. Income Tax Provision

On November 16, 2009, the Ontario government substantively enacted a progressive decrease to its general corporate income tax rate from 14.0% to 10.0%, to be phased in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. During the first quarter of Fiscal 2010, this resulted in a non-cash future income tax recovery of $8.4 million ($0.15 per share) recorded in the interim consolidated statement of earnings.

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4. CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Net Change in Non-cash Operating Items

	3 months		6 months	
(in thousands)	2010	2009	2010	2009
		(Restated – see Note 1.b))		*(Restated – see Note 1.b))*
Decrease (increase) in accounts receivable and other assets	$ 18,024	$ 39,393	$ (3,978)	$ 18,038
Increase in program and film rights	(1,125)	(3,374)	(11,475)	(8,757)
Decrease in accounts payable and accrued liabilities, and income taxes payable	(8,949)	(14,684)	(21,019)	(21,378)
Increase (decrease) in program and film rights payable	2,183	(575)	14,075	16,627
	$ 10,133	$ 20,760	$ (22,397)	$ 4,530

b) Interest Paid, Received and Income Taxes Paid

	3 months		6 months	
(in thousands)	2010	2009	2010	2009
Interest paid	$ (6,007)	$ (8,916)	$ (12,536)	$ (18,856)
Interest received	$ 88	$ 201	$ 158	$ 454
Income taxes paid	$ (8,837)	$ (10,997)	$ (30,185)	$ (26,622)

c) Non-cash Transactions

The interim consolidated statements of cash flows for the three- and six-month periods ended February 28, 2010 exclude additions to property, plant and equipment of $0.9 million that were unpaid as at that date (exclude additions of $1.6 million for the three- and six-month periods ended February 28, 2009) and include additions to property, plant and equipment of $1.3 million and $2.3 million that were unpaid as at November 30, 2009 and August 31, 2009 respectively (include additions of $1.1 million and $3.4 million that were unpaid as at November 30, 2008 and August 31, 2008 respectively for the three- and six-month periods ended February 28, 2009).

5. EMPLOYEE FUTURE BENEFITS

The Company has two voluntary defined benefit pension plans (the “Plan”) which are no longer available to new employees, and a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The Company also has a non-pension post-retirement benefit plan which provides health benefits and dental care to certain employees who were hired before January 1, 2002.

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Elements included in the expense related to the Plan and SERP for the three months ended February 28 are as follows:

	2010		2009	
(in thousands)	Plan	SERP	Plan	SERP
Current service cost	$ 1,839	$ 120	$ 1,722	$ 112
Interest cost	1,071	166	991	160
Expected return on plan assets	(1,089)	–	(986)	–
Amortization of past service costs	–	17	–	16
Amortization of net actuarial loss	53	–	16	–
Net benefit plan expense	$ 1,874	$ 303	$ 1,743	$ 288

Elements included in the expense related to the Plan and SERP for the six months ended February 28 are as follows:

	2010		2009	
(in thousands)	Plan	SERP	Plan	SERP
Current service cost	$ 3,677	$ 240	$ 3,445	$ 225
Interest cost	2,143	332	1,981	319
Expected return on plan assets	(2,178)	–	(1,972)	–
Amortization of past service costs	–	33	–	32
Amortization of net actuarial loss	106	–	31	–
Net benefit plan expense	$ 3,748	$ 605	$ 3,485	$ 576

For the three- and six-month periods ended February 28, 2010, the expense related to the Company's non-pension post-retirement benefit plan is $0.1 million and $0.2 million respectively and is included in operating expenses on the interim consolidated statements of earnings ($0.1 million and $0.3 million respectively for the three- and six-month periods ended February 28, 2009).

Defined contribution components of the Plan are also available to all employees hired on or after December 1, 2005. For the three- and six-month periods ended February 28, 2010, the contribution amounts paid by the Company for services rendered by the employees during these periods under the defined contribution components of the Plan are $0.4 million and $0.9 million respectively and are included in operating expenses on the interim consolidated statements of earnings ($0.4 million and $0.8 million respectively for the three- and six-month periods ended February 28, 2009).

6. BUSINESS SEGMENTS

The Company's business segments are Television, Radio and Outdoor Advertising. The Television segment comprises the Company's specialty, pay and pay-per-view television services. Its revenues are derived from subscription fees, advertising sales and pay-per-view sales. The Radio segment comprises the Company's FM and AM radio stations and its revenues are derived from advertising sales. The Outdoor Advertising segment comprises activities related to posting advertising on the Company's inventory of panels and street furniture equipment, and its revenues are derived from the sale of such advertising. Advertising revenues in each of the three business segments tend to follow seasonal patterns. All activities are conducted in Canada.

During the second quarter of Fiscal 2009, the Company restructured certain of its radio operations and a restructuring charge of $2.7 million was recorded on the interim consolidated statement of earnings.

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	For the three months ended February 28, 2010			
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	129,448	73,906	14,927	218,281
Earnings before undernoted items	46,198	19,975	3,091	69,264
Depreciation and amortization	(2,415)	(2,578)	(2,217)	(7,210)
Restructuring charges	–	–	–	–
Earnings before unallocated items	43,783	17,397	874	62,054
Interest expense, net				(6,614)
Corporate costs (including depreciation and amortization of $224)				(6,901)
Income tax provision				(14,896)
Net earnings				33,643
Identifiable assets at period end (excluding Corporate assets of $48,453)	805,413	1,056,856	149,977	2,012,246
Additions to property, plant and equipment (excluding Corporate additions of $418)	957	1,465	7,848	10,270
Additions to intangible assets (excluding Corporate additions of $65)	150	306	3,521	3,977

	For the three months ended February 28, 2009			
				(Restated – see Note 1.b))
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	121,778	75,334	12,166	209,278
Earnings before undernoted items	40,649	23,235	1,495	65,379
Depreciation and amortization	(2,195)	(2,500)	(1,630)	(6,325)
Restructuring charges	–	(2,691)	–	(2,691)
Earnings before unallocated items	38,454	18,044	(135)	56,363
Interest expense, net				(9,546)
Corporate costs (including depreciation and amortization of $201)				(6,394)
Income tax provision				(13,320)
Net earnings				27,103
Identifiable assets at period end (excluding Corporate assets of $67,884)	796,681	1,408,302	115,780	2,320,763
Additions to property, plant and equipment (excluding Corporate additions of $248)	1,174	2 052	6,803	10,029
Additions to intangible assets (excluding Corporate additions of $80)	315	161	35	511

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Notes to Interim Consolidated Financial Statements for the periods ended February 28, 2010 and 2009
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	For the six months ended February 28, 2010			
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	270,675	163,071	35,220	468,966
Earnings before undernoted items	102,806	59,511	10,870	173,187
Depreciation and amortization	(4,813)	(5,485)	(4,272)	(14,570)
Restructuring charges	–	–	–	–
Earnings before unallocated items	97,993	54,026	6,598	158,617
Interest expense, net				(13,803)
Corporate costs (including depreciation and amortization of $448)				(14,235)
Income tax provision				(32,295)
Net earnings				98,284
Identifiable assets at period end (excluding Corporate assets of $48,453)	805,413	1,056,856	149,977	2,012,246
Additions to property, plant and equipment (excluding Corporate additions of $712)	1,749	1,888	14,375	18,012
Additions to intangible assets (excluding Corporate additions of $130)	263	656	4,524	5,443

	For the six months ended February 28, 2009			*(Restated – see Note 1.b))*
(in thousands of $)	Television	Radio	Outdoor Advertising	Consolidated
Revenues	255,217	165,192	33,352	453,761
Earnings before undernoted items	84,557	53,891	9,311	147,759
Depreciation and amortization	(4,356)	(4,953)	(3,228)	(12,537)
Restructuring charges	–	(2,691)	–	(2,691)
Earnings before unallocated items	80,201	46,247	6,083	132,531
Interest expense, net				(20,064)
Corporate costs (including depreciation and amortization of $385)				(13,503)
Income tax provision				(32,256)
Net earnings				66,708
Identifiable assets at period end (excluding Corporate assets of $67,884)	796,681	1,408,302	115,780	2,320,763
Additions to property, plant and equipment (excluding Corporate additions of $290)	3,415	3,443	11,075	17,933
Additions to intangible assets (excluding Corporate additions of $357)	354	451	133	938

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7. PROGRAM AND FILM RIGHTS

(in thousands)		February 28, 2010		August 31, 2009
Program and film rights – current	$	102,547	$	92,545
Program and film rights		50,254		43,121
Investments in programs and films		12,438		18,098
		62,692		61,219
Program and film rights	$	165,239	$	153,764

For the three- and six-month periods ended February 28, 2010, the expense for program and film rights recorded in operating expenses on the interim consolidated statements of earnings amounted to $29.3 million and $79.3 million respectively ($27.6 million and $75.7 million for the three- and six-month periods ended respectively February 28, 2009) including $2.1 million and $4.2 million respectively for the write-down of investments in programs and films ($1.9 million and $4.1 million for the three- and six-month periods ended respectively February 28, 2009).

8. CREDIT FACILITIES

The components of the Company's long-term debt are as follows:

(in thousands)		February 28, 2010		August 31, 2009
One-month bankers' acceptances	$	654,500	$	694,600
Canadian prime-rate loans		500		400
Deferred financing costs		(1,897)		(2,239)
Long-term debt	$	653,103	$	692,761

On October 29, 2007, the Company established a $1.0 billion credit facility (the "Facility") with a syndicate of financial institutions, which has been reduced to $830.0 million as at February 28, 2010 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers' acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios.

Borrowings under the Company's Facility are subject to interest rate fluctuations. To manage the volatility relating to this exposure, the Company is party to derivative financial instruments. The Company does not use derivative financial instruments for trading or speculative purposes. On October 29, 2007, the Company entered into an interest-rate swap agreement with a large Canadian bank to hedge its exposure to interest rate fluctuations (the "Agreement"). The Agreement is based on an initial nominal debt amount of $750.0 million which is being reduced periodically ($384.3 million as at February 28, 2010), based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed interest rate of 4.6% and receives interest based on floating 30-day bankers' acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument.

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As at February 28, 2010, total borrowings under the Facility amounted to $655.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), and bear a weighted-average interest rate of 3.4% (3.8% as at August 31, 2009), after reflecting the effect of the interest-rate swap agreement. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty that can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has no repayment obligation before October 29, 2012.

Under the terms of the Facility, the Company is required to comply with certain financial ratios. The Company has been in compliance with these financial ratios and all other covenants since the establishment of the Facility.

9. Capital Stock

a) Issued and Outstanding Capital Stock

The following table summarizes the changes in the Company's capital stock comprising its Class A non-voting shares ("Class A shares"), Class B subordinate voting shares ("Class B shares") and Special shares ("Special shares"):

	Six months ended February 28, 2010		Year ended August 31, 2009	
(in thousands except for number of shares)	Number of shares outstanding	Carrying value of shares	Number of shares outstanding	Carrying value of shares
Class A shares:				
Beginning of year	53,388,843	$ 749,980	53,200,874	$ 745,070
Conversion of Class B shares	26,000	25	3,000	3
Stock options exercised (Notes 9.d) and 10)	314,571	9,633	79,469	1,671
Conversion of restricted share units (Notes 9.d) and 10)	105,800	3,317	105,500	3,236
Shares repurchased (Notes 9.e))	(27,200)	(384)	–	–
End of period	53,808,014	762,571	53,388,843	749,980
Class B shares:				
Beginning of year	2,784,672	2,723	2,787,672	2,726
Conversion to Class A shares	(26,000)	(25)	(3,000)	(3)
End of period	2,758,672	2,698	2,784,672	2,723
Special shares	65,000	325	65,000	325
		$ 765,594		$ 753,028

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b) Earnings per Share

The following is a reconciliation of the numerators and denominators used for the computation of basic and diluted earnings per share:

	3 months		6 months	
(in thousands)	2010	2009	2010	2009
		(Restated – see Note 1.b))		*(Restated – see Note 1.b))*
Net earnings (numerators)	$ 33,643	$ 27,103	$ 98,284	$ 66,708
Weighted average number of shares outstanding (denominators):				
Weighted average number of shares outstanding – basic	56,491	56,102	56,350	56,056
Effect of dilutive securities	692	236	632	407
Weighted average number of shares outstanding – diluted	57,183	56,338	56,982	56,463

For the three- and six-month periods ended February 28, 2010, 382,149 stock options were excluded from the computation of diluted earnings per share due to their anti-dilutive effect (1,364,052 and 709,925 stock options respectively were excluded for the three- and six-month periods ended February 28, 2009).

c) Stock-based Compensation Costs

During the second quarter of Fiscal 2010, the Company granted 386,052 options to key employees to purchase Class A shares of the Company (371,892 options to purchase Class A shares were granted in the second quarter of Fiscal 2009). The fair value of options granted was determined using the Black-Scholes option pricing model and the following assumptions:

	Fiscal 2010 Grant	Fiscal 2009 Grant
Assumptions:		
Risk-free interest rate	2.30%	2.15%
Expected volatility in the market price of the shares	20.60%	24.60%
Expected dividend yield	1.57%	2.38%
Expected life	5.5 years	4.5 years
Fair value per option:	$6.02	$3.66

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During the first quarter of Fiscal 2010, the Company extended the term of the 589,330 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees from five to seven years. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting, for the six-month period ended February 28, 2010, in an additional stock-based compensation expense of $0.6 million.

During the second quarter of Fiscal 2010, the Company also granted 87,600 restricted share units ("RSUs") to key employees (79,500 RSUs were granted in the second quarter of Fiscal 2009). The fair value of the RSUs granted is $31.86 per unit ($20.75 per unit in Fiscal 2009) which is equal to the market price of a Class A share of the Company at the time of the grant.

The compensation costs related to stock options and RSUs granted to employees are recorded in operating expenses on the interim consolidated statements of earnings, over their expected vesting period for stock options, and over a three-year vesting period for RSUs. Such compensation costs are credited to contributed surplus on the interim consolidated balance sheets. For the three- and six-month periods ended February 28, 2010, stock-based compensation costs amounted to $1.3 million and $3.5 million respectively (see Note 10) ($1.6 million and $3.3 million respectively for the three- and six-month periods ended February 28, 2009).

For the three- and six-month periods ended February 28, 2010, the compensation costs related to the Company's deferred share unit plan amounted to $0.6 million and $0.9 million respectively ($0.2 million and $0.1 million respectively for the three- and six-month periods ended February 28, 2009) and are recorded in operating expenses on the interim consolidated statements of earnings.

d) Stock Option Plan and Restricted Share Unit Plan

The following table summarizes the changes in the Company's employee stock option plan:

	Six months ended February 28, 2010	Year ended August 31, 2009
Number of options:		
Outstanding – beginning of year	3,154,763	3,104,096
Granted	386,052	371,892
Exercised	(314,571)	(79,469)
Cancelled	(11,134)	(23,917)
Expired	(5,149)	(217,839)
Outstanding – end of period	3,209,961	3,154,763
Exercisable – end of period	2,193,141	2,217,730

The following table summarizes the changes in the Company's restricted share unit plan:

	Six months ended February 28, 2010	Year ended August 31, 2009
Number of units :		
Outstanding – beginning of year	303,800	329,800
Granted	87,600	79,500
Converted to Class A shares	(105,800)	(105,500)
Cancelled	(2,800)	–
Outstanding – end of period	282,800	303,800

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e) Normal Course Issuer Bid

On December 9, 2009, the Company announced a renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program is being conducted over a maximum period of 12 months which began on December 15, 2009.

For the three- and six-month periods ended February 28, 2010, the Company repurchased a total of 27,200 Class A shares for a total cash consideration of $0.9 million of which $0.5 million was charged to retained earnings. During the same periods last year, the Company did not repurchase any Class A or Class B shares.

10. CONTRIBUTED SURPLUS

The following table summarizes the changes in the Company's contributed surplus:

(in thousands)	Six months ended February 28, 2010	Year ended August 31, 2009
Beginning of year	$ 17,068	$ 14,409
Stock-based compensation costs (Note 9.c))	3,471	5,912
Stock options exercised	(1,519)	(17)
Restricted share units converted to Class A shares (Note 9.a))	(3,317)	(3,236)
End of period	$ 15,703	$ 17,068

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the Company's accumulated other comprehensive loss:

(in thousands)	Six months ended February 28, 2010	Year ended August 31, 2009
Beginning of year	$ (16,109)	$ (13,001)
Other comprehensive income (loss) for the period, net of income tax expense (recovery) of $1.8 million and ($1.2 million) respectively	4,305	(3,108)
End of period	$ (11,804)	$ (16,109)

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12. CONTINGENCIES

The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the Canadian Radio-television and Telecommunications Commission (the "CRTC") by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the "SCC"), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company had been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II licence fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. As provided by the agreement, fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, were waived and there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, further to the Government's recommendation, the CRTC has published for comments amendments to the Part II licence fee regime to cap the fees. The revised fee regime is effective for the fiscal year beginning September 1, 2009.

In the first quarter of Fiscal 2010, following the settlement, the Part II licence fees accrued as at August 31, 2009, amounting to $11.6 million ($8.0 million, net of income taxes, or $0.14 per share), were reversed through operating expenses on the Company's interim consolidated statement of earnings.

Furthermore, the purchase price of a prior year's business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the payment occurs.

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